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Message Text

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PAGE 01 LISBON 06636 261215Z
ACTION EUR-12

INFO OCT-01 ARA-10 EA-10 ISO-00 EURE-00 AID-05 CIAE-00
COME-00 EB-08 FRB-03 INR-07 NSAE-00 TRSE-00
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 SS-15
STR-04 CEA-01 PA-01 PRS-01 L-03 H-01 DODE-00
NSCE-00 SSO-00 USIE-00 INRE-00 OES-07 FEAE-00
ERDA-05 /107 W
----------069151 261224Z /45
O R 261122Z AUG 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 2798
INFO AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY CARACAS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY MADRID
AMCONSUL OPORTO
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY THE HAGUE
AMEMBASSY TOKYO
AMEMBASSY VIENNA

C O N F I D E N T I A L LISBON 6636

DEPT. PASS TREASURY FOR SYVRUD
BRUSSELS FOR EC
PARIS ALSO FOR OECD

E.O. 11652: GDS
TAGS: EFIN, PFOR, ECON, PO
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SUBJ: PRIME MINISTER ANNOUNCES NEW ECONOMIC
MEASURES: PRELIMINARY ASSESSMENT.

REF: LISBON 6628

1. PRIME MINISTER'S SPEECH REPORTED SEPTEL WAS, ON BALANCE,
A DISAPPOINTMENT. ALTHOUGH SUCH MEASURES AS INCREASES IN

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INTEREST RATES AND PETROLEUM PRICES CONSTITUTE MOVEMENT IN THE RIGHT DIRECTION, THEY ARE UNLIKELY TO EASE PORTUGAL'S FINANCIAL PROBLEMS SIGNIFICANTLY. DECISION TO ADOPT CRAWLING PEG RATHER THAN TO DEVALUE IMMEDIATELY, EVEN IF ONLY MODERATELY, WAS MOST SERIOUS DISAPPOINTMENT. EMBASSY PRESUMES CRAWL WILL BE RELATIVELY RAPID, ESPECIALLY GIVEN FORTHCOMING NEGOTIATIONS WITH IMF, BUT IS UNLIKELY TO HAVE MAJOR SHORT-TERM IMPACT ON CAPITAL MOVEMENTS. IN EFFECT, GOP SEEMS TO HAVE MARCHED UP AND THEN BACKED DOWN SIGNIFICANTLY FROM IMMEDIATE DECISIONS IT FACED.

2. GOP FEARS OF STRONGLY NEGATIVE POLITICAL REACTIONS APPARENTLY CONDITIONED ITS DECISIONS. EVEN RATHER MILD MEASURES ANNOUNCED BY PRIME MINISTER HAVE EVOKED CRITICISM FROM LEFTIST POLITICAL FORCES AS PROMOTING A "CAPITALIST RECOVERY." OPPOSITION PARTIES, THOUGH IN SOME CASES RECOGNIZING NATION'S ECONOMIC PROBLEMS, HAVE DISTANCED THEMSELVES FROM GOP AUSTERITY MEASURES. PRIME MINISTER MAY HAVE MUTED OPPOSITION CRITICISM BY AVOIDING MORE SEVERE MEASURES, ESPECIALLY DEVALUATION. HE MAY, HOWEVER, HAVE ALSO LOST AN EXCELLENT PSYCHOLOGICAL OPPORTUNITY IN THAT RECENT PRESS CAMPAIGNS HAD PROBABLY PREPARED PUBLIC FOR MORE SEVERE MEASURES. MOST IMPORTANT, FROM ECONOMIC POINT OF VIEW, PRIVATE SECTOR IS LIKELY TO INTERPRET PRIME MINISTER'S SPEECH AS INDICATION THAT GOP HAS NOT YET DETERMINED TO DEAL AS RAPIDLY AND DECISIVELY WITH
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NATION'S ECONOMIC CRISIS, AS THEY THINK IS NECESSARY.

3. FURTHER COMMENT FOLLOWS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER, ECONOMIC CONDITIONS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 26-Aug-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977LISBON06636
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770309-0386
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770819/aaaaapsq.tel
Line Count: 98
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 LISBON 6628
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1470917
Secure: OPEN
Status: NATIVE
Subject: PRIME MINISTER ANNOUNCES NEW ECONOMIC MEASURES: PRELIMINARY ASSESSMENT.
TAGS: EFIN, PFOR, ECON, PO, (SOARES, MARIO ALBERTO NOBRE LOPES)
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/40de5b52-c288-dd11-92da-001cc4696bcc
Review Markings:
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US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009